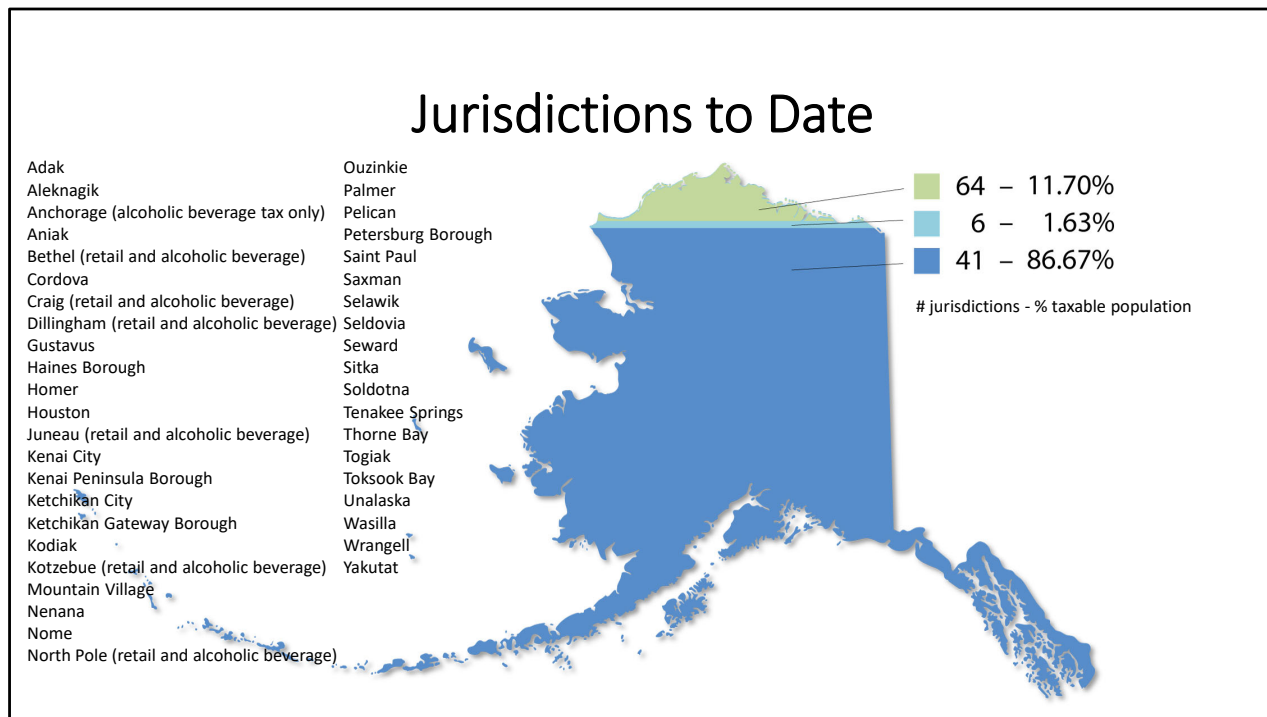


Alaska Remote Seller Sales Tax Commission

4th Quarter 2021 Update and Overview

March 4, 2022





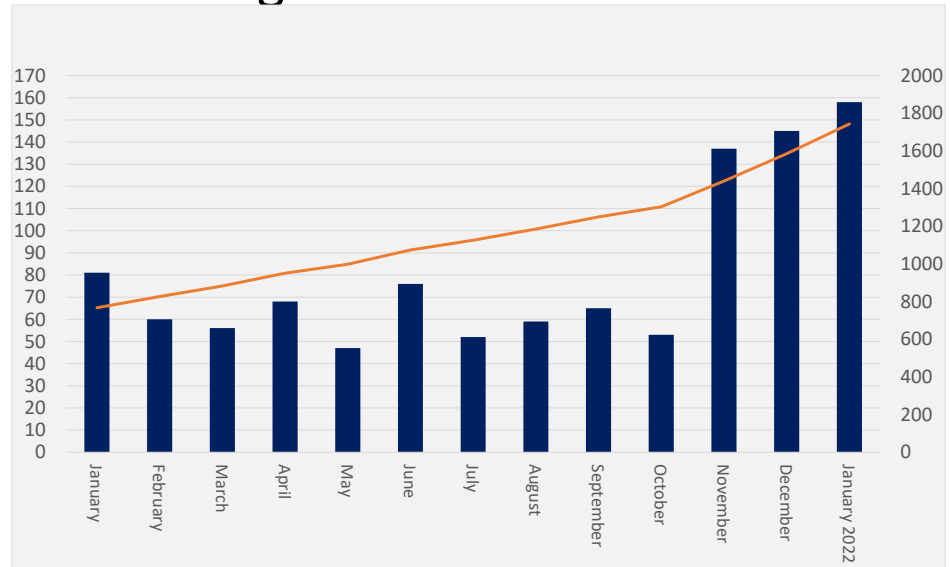
- ✓ 111 taxing communities in Alaska
32% of Alaska's population
- ✓ 41 communities across Alaska have adopted the Uniform Code (this makes quorum for ARSSTC 21 members)
87% of taxing population
- ✓ 6 other communities have joined the Commission and are working towards adopting the Uniform Code
2% of taxing population
Chevak, Elim, Hoonah, Kake, Quinhagak, Shungnak
- ✓ 64 communities ARSSTC is pursuing to join the Commission in 2022
11% of taxing population

2021 Registered Sellers

2021 Total: 899

2020 Total: 686

= 1,585 through 2021



Notable sellers registered in 2021Q4: Adobe Inc, APMEX Inc, Disney Platform Distribution, Flickr Inc, Hulu LLC, HRB Digital, J Crew Inc, Macys.com, Omaha Steaks, Ruff Wear, Sally Beauty Supply, Sea to Summit North America LLC, Silver.com Inc, Snap-on Tools Company, Tempur Pedic North America LLC, Wild Alaskan, Wine.com

We closed 182 businesses in 2021. Closures are due to mistaken registration, fully closing a business, or selling/merging business

Top 20 Sellers for 2021Q4

1. Amazon.com Services, LLC (MPF)
2. Apple, Inc.
3. eBay, Inc.
4. Etsy, Inc.
5. Microsoft Corporation
6. Recreational Equipment, Inc.
7. Intuit, Inc.
8. Target Corporation
9. Nordstrom, Inc.
10. BestBuy.com, LLC
11. Ash Grove Cement Company
12. Sam's West, Inc.
13. LL Bean, Inc.
14. Hulu, LLC
15. Nike Retail Services, Inc.
16. QVC, Inc.
17. Backcountry.com, LLC
18. Shutterfly, LLC
19. Outdoors Online, LLC
20. BPS Direct, LLC

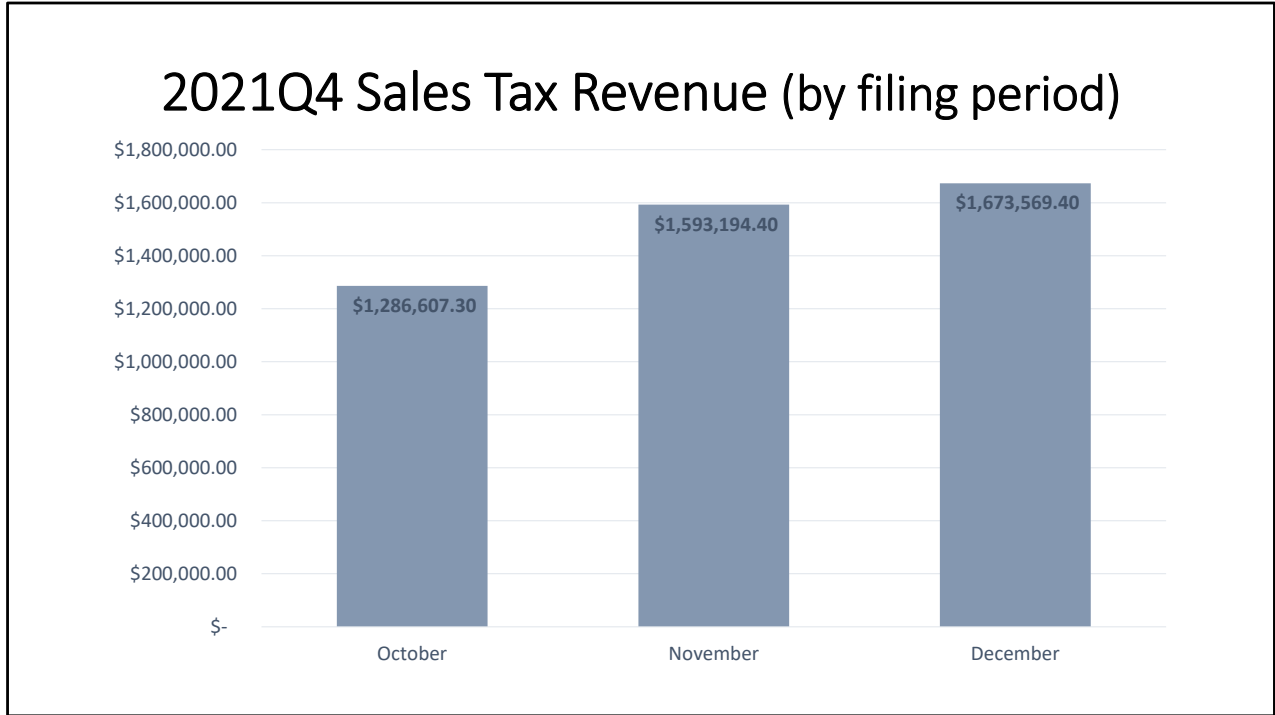
These 20 businesses remitted 72% of all sales for 2021Q4

Top 20 Sellers for CY2021

- | | |
|------------------------------------|---|
| 1. Amazon.com Services, LLC (MPF) | 11. <i>Nike Retail Services, Inc.</i> |
| 2. <i>Apple, Inc.</i> | 12. <i>Spenard Builders Supply, LLC</i> |
| 3. Microsoft Corporation | 13. <i>Walmart.com USA, LLC</i> |
| 4. <i>Etsy, Inc.</i> | 14. QVC, Inc. |
| 5. <i>eBay, Inc.</i> | 15. Poshmark, Inc. |
| 6. Target Corporation | 16. <i>Intuit, Inc.</i> |
| 7. Recreational Equipment, Inc. | 17. Backcountry.com, LLC |
| 8. Nordstrom, Inc. | 18. <i>US Foods, Inc.</i> |
| 9. <i>Ash Grove Cement Company</i> | 19. Zappos.com, LLC |
| 10. BestBuy.com, LLC | 20. LL Bean, Inc. |

Italicized businesses are new to the Top 20 list for CY2021 compared with CY2020

These 20 businesses remitted 73% of all sales for CY2021



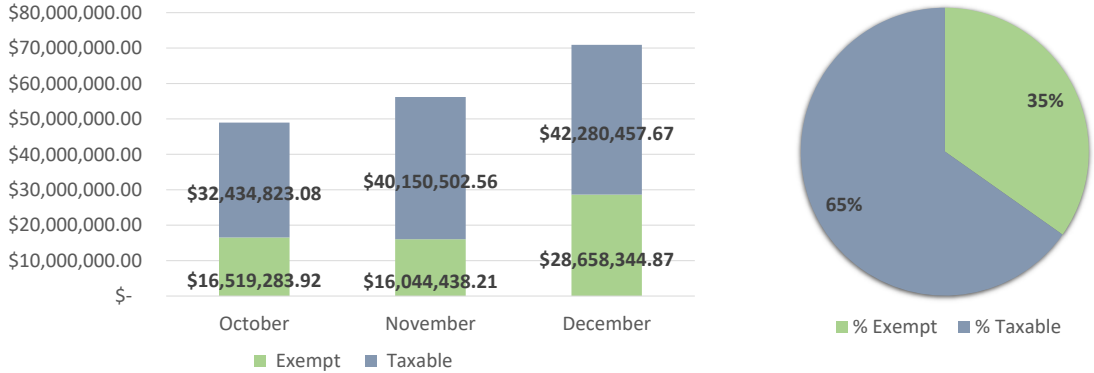
Total of \$4,553,371.10 remitted for 2021Q4

CY2021 Sales Tax Revenue (by filing period)

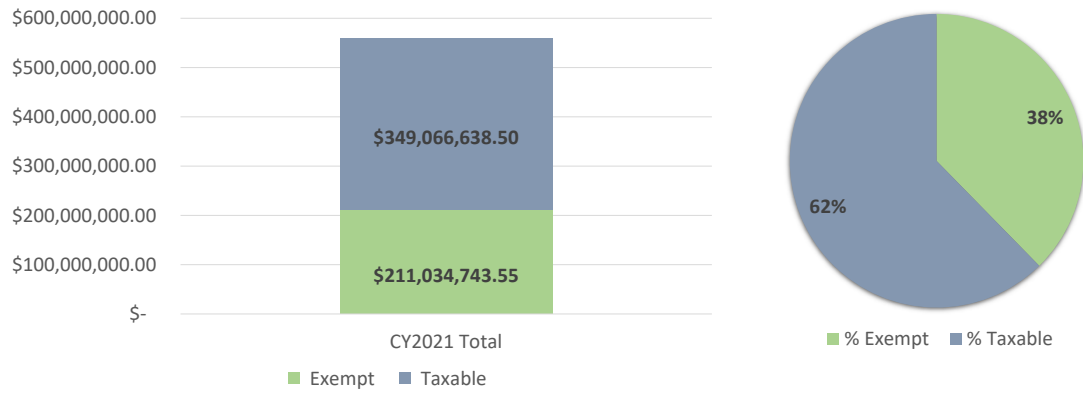


Total of \$13,919,129.69 remitted for CY2021

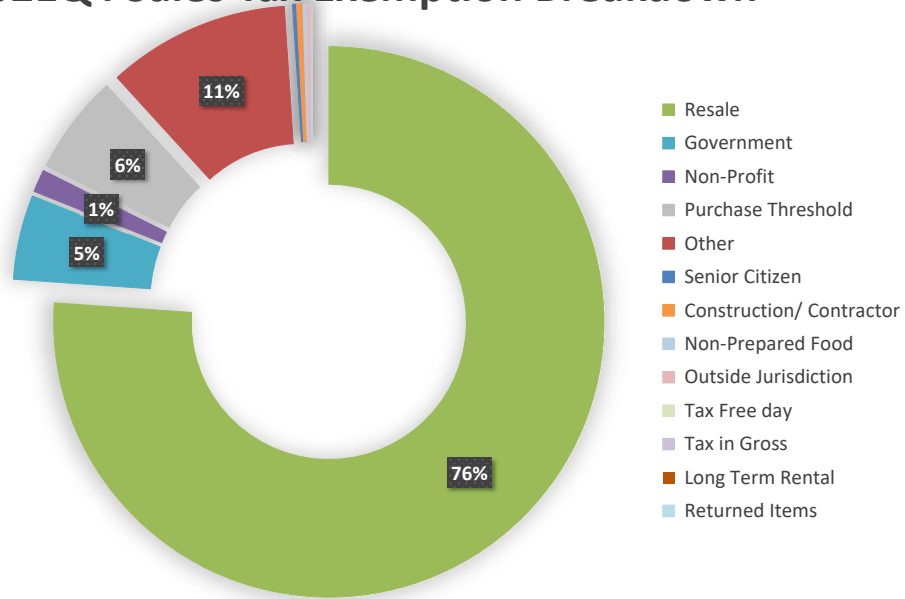
2021Q4 Exempt versus Net Taxable (by filing period)



CY2021 Exempt versus Net Taxable (by filing period)



2021Q4 Sales Tax Exemption Breakdown



Resale 76.72%

Government 5.00%

Non Profit 1.32%

Threshold 5.91%

Other 10.80%

Senior 0.20%

Construction 0.35%

Non Prep Food 0.22%

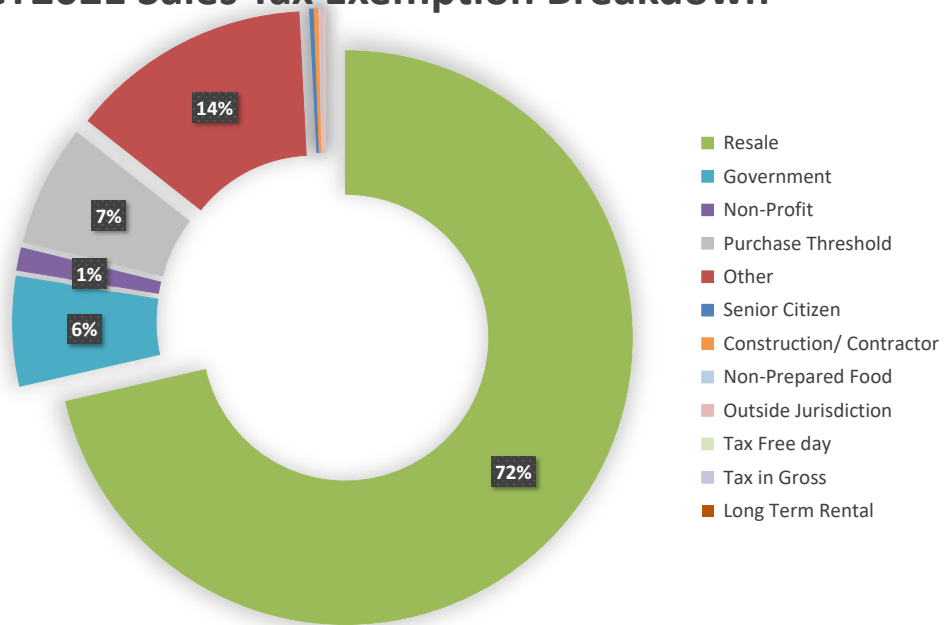
Outside Jurisdiction 0.27%

Tax Free Day 0%

Tax in Gross 0%

Long Term Rental 0%

CY2021 Sales Tax Exemption Breakdown



Resale 72.23%

Government 6.2%

Non Profit 1.27%

Threshold 6.87%

Other 13.72%

Senior 0.23%

Construction 0.25%

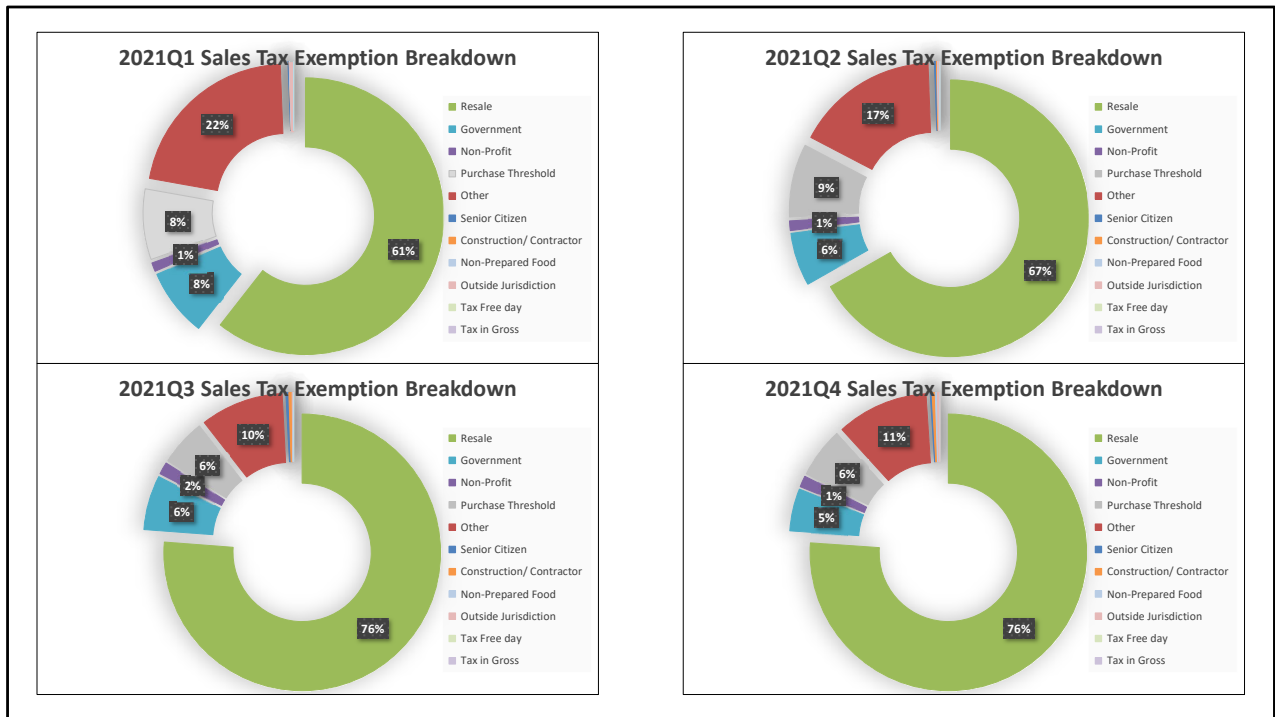
Non Prep Food 0.09%

Outside Jurisdiction 0.24%

Tax Free Day 0%

Tax in Gross 0%

Long Term Rental 0%



As we audit businesses with exemptions in the “Other” category, we help them identify more appropriate exemption categories for reporting their sales. Many companies have tax reporting software that does not distinguish between exemption categories, and they must report exempt sales as “Other”.

ARSSTC Member Fees Discussion

- On October 28, 2021, ARSSTC reached \$10,000,000 total revenue collected for the calendar year.
- This led to a reduction of service provider fee rates on revenues collected in the remainder of 2021.
 - GovOS fees reduced from 12% to 8%
 - TTR reduced from 1.25% to 1%
- Service provider rates returned to normal levels on January 1, 2022.
- The reduction in service provider fees resulted in:
 - Actual effective fee rate of 16.22% rather than the 17.25% standard total fee rate.
 - Members saved \$136k in fees with the rate reduction.

ARSSTC Member Fees Outlook

- For the January 2022 filings, the ARSSTC Board of Directors approved a reduction to the Commission fee from 4% to 3%.
- The service provider fees will reduce once again in 2022 once \$10,000,000 in total revenues collected is reached.
- It is anticipated that the lower service provider fee levels will be reached sooner in 2022, likely around August/September.
- Additional remote seller registrations and new member jurisdictions will have the most impact on increasing revenues.
- The sooner \$10 million is reached in 2022, the more savings Commission members will see.

2021Q4 Updates and Successes

TTR Updates

- Worked with Avalara to address guidance to sellers on local level rules for:
 - Tax on shipping charges
 - Tax caps
- Updated pinpoints to middle of taxing district when only a ZIP code is entered.
- Haines Borough and Haines Rural
 - Updated TTR database with new jurisdiction codes for Haines Borough and Haines Rural
 - Created new GIS shape files for Haines Borough and Haines Rural
- Now publishing community sales tax cap information on monthly tax rate sheets.
- Assist new members to develop accurate exemption matrices.
 - Updated database entries across all jurisdictions for Prepared Foods to accommodate a new jurisdiction's exemption matrix
- Work to address ZIP+4 challenges across Alaska.

2021Q4 Updates and Successes

GovOS Updates

- Improved Reporting

- Jurisdiction Batch Summary Report

- provides business filings and summary report of filings by jurisdiction*

- Improved reporting compared with Jurisdiction, Assessment, and Fee Report

- Jurisdiction Report

- provides gross, exempt, net, P&I, and amount due by jurisdiction*

- Correctly capturing all jurisdiction data prior to jurisdiction start date

- Summary Report

- provides business level detail of gross, exempt, net, P&I, and exemption category*

- Standardized exemption category order

- Non-Filer Report

- provides list of businesses with any open filing – must sort to get delinquent filers*

- Improved search results

2021Q4 Updates and Successes

GovOS Updates (*continued*)

- Improving “Yellow Form” and “Summary Form” display for tax filing record
- Synching the “Yellow Form” and the “Transactions Tab” on business account
- Amendment Module
 - Being successfully used by sellers
 - Improved labeling and integration with reports
 - Is not affecting previous months’ reconciliation
- Improved XML data upload and integration with all reports
- Haines Borough and Haines Rural
 - New jurisdictions created to allow for more accurate reporting by sellers.

2021Q4 Updates and Successes

Program Updates: Membership and Meetings

- New Members to ARSSTC
 - Pelican
 - Quinhagak
 - Shungnak
- Adopted and Implemented Uniform Code
 - Kotzebue
 - Pelican
- Board Meetings
 - Met October, November, December 2021
- Finance Committee Meetings
 - Met October 2021
- Policy Committee Meetings
 - Met December 2021

2021Q4 Updates and Successes

Program Updates: Interpretations

- Interpretations
 - Revised 2020.10 Entity-Based Exemption Certificates
 - Reiterate what exemption documentation is allowed for a seller to accept.
 - List of exemption certificates issued by ARSSTC member jurisdictions is now published on arsstc.org for reference by remote sellers.
 - 2021.04 Selling Price
 - Clarified what constitutes the “selling price” subject to sales tax.
 - Sales tax must be separately stated on the receipt, not included in the “selling price”.

2021Q4 Updates and Successes

Program Updates: Updates to Sales Tax Rules

- Member Sales Tax Updates
 - Craig sales tax holiday
 - Juneau changed timely filing discount
 - Juneau increased sales tax cap amount
 - Sitka sales tax holiday
- Haines City versus Haines Borough tax assessment and collection
 - Many sellers were only charging 4% and not correct 5.5% tax because of the separate jurisdiction lines
 - Worked with TTR regarding HC-60 addresses and new shape files for tax map
 - Worked with GovOS to create new jurisdiction codes for Haines Borough and Rural
 - Worked with TaxJar to have them update taxing rules regarding Haines

2021Q4 Updates and Successes

Program Updates: Audit Program

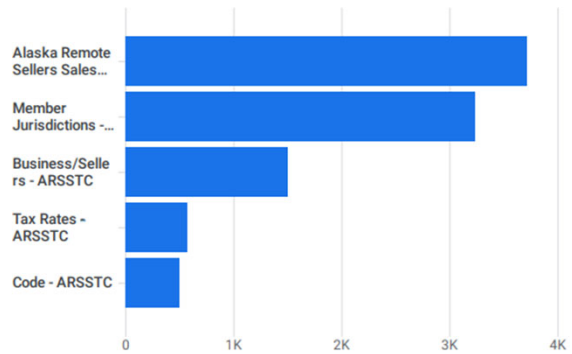
- Haines City versus Haines Borough filing comparison
 - Identified 102 businesses that were only filing for either City or Borough and not both
 - Contacted sellers and inquired about discrepancy
 - Majority of sellers were unaware of the issue
 - Many of sellers using TaxJar which had incorrect settings
 - Due to unclear guidance about Haines Borough and Haines City from the Commission, Haines Borough agreed to waive requirement to amend past returns upon condition seller would “turn on” tax for both jurisdictions
 - Resolution includes adjusting tax rate for Haines Borough (5.5%), removing the jurisdiction of Haines City, and create new jurisdiction of Haines Rural (4%)

2021Q4 Updates and Successes

Program Updates: Website

- Updated Member Jurisdiction list to downloadable table
- Created Meetings Page
- Posted overview of exemption certificates by community
- Turned on Google Analytics
 - Most visited pages in 2021Q4: Member Jurisdictions, Business/Sellers, Tax Rates, Uniform Code, Resources, For Buyers

Views by Page title and screen class



2021Q4 Updates and Successes

Program Updates

- Seller Registration
 - Continue to see positive growth: over 1,800 sellers registered to date.
- Outreach
 - Continue to outreach to businesses on the “Top 1,000 Online Businesses” list.
 - Continue to outreach to businesses in Alaska that may meet registration criteria.
 - Developed brochure for communities interested in joining the Commission.
- Multiple presentations at Alaska Municipal League annual conference (Nov 2021)
 - Municipal Managers, Municipal Attorney Association, ARSSTC Annual Meeting

2021Q4 Updates and Successes

Program Updates

- Remote Reseller Certificates
 - Issued 51 remote reseller certificates in 2021 (issued 7 in 2020)
 - Issue certificate through following year if business applies in November or December
- Work with buyers and sellers regarding incorrect tax collection and refunds
 - Typical reasons for refund claim include:
 - Senior exemption not granted
 - Tax caps not properly applied by seller
 - Delivery address located outside local jurisdiction boundaries
 - Several refunds issued directly to buyers from Commission, but most situations were resolved by seller once contacted by Commission.

Steps for Buyers Incorrectly Charged Sales Tax

1. Determine the official tax rate for the point of delivery address with [Tax Map Lookup](#):
 - Save PDF export as proof of tax rate.
2. If the point of delivery is outside a taxing jurisdiction, buyer should contact the seller and provide the proof of tax rate and request a refund for the tax.
3. If the seller does not comply with the tax refund request, buyer should determine if the seller is registered with the ARSSTC by reviewing the ARSSTC [Sellers List](#).
 - If the seller is on the list, fill out the [Tax Refund Request Form](#)
 - If the seller is not on the list, [contact your local tax office](#)

2021Q4 Challenges

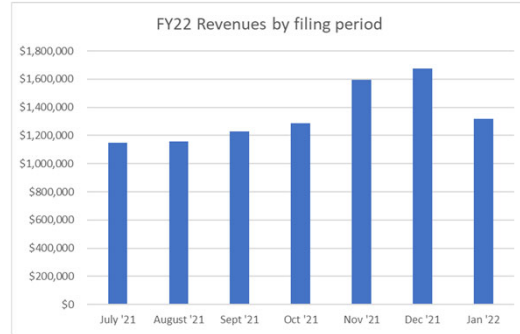
- Industry-specific accounting/sales software does not accommodate multiple tax rates
 - Some AK sellers are relying on software not designed as a sales tax system, such as Quickbooks
- Many companies are not able to seamlessly apply a community's tax cap to a sale.
- Working with filers who submit paper filings to Commission and jurisdictions.
- Customers located outside jurisdiction boundaries being charged the incorrect rate, due to the seller calculating taxes based solely on ZIP code.
- AMSTP (Alaska Municipal Sales Tax Program) Staffing
 - Still advertising for additional position

Program Goals for 2022

- Investigate / develop Voluntary Disclosure Agreement.
- Develop estimated tax assessment policy for non-filers with no filing history.
- Develop Interpretation providing guidance on drop-shipped transactions.
- Develop education packet for newly registered remote sellers.
- Develop archive of system notifications sent to registered remote sellers.
- GovOS:
 - Returned Goods exemption category for filing upload template.
 - Improved business user interface to better accommodate access to multiple accounts and past filings records.
- TTR:
 - ZIP+4 solution
- Hire AMSTP staff member(s) – Tax Technician and Audit/Compliance-specific position.
- Continue registration outreach to Alaskan-based remote sellers, using an industry-specific approach.
- Continue outreach to large national remote sellers for registration compliance.
- Continue working with jurisdictions to join ARSSTC and adopt Uniform Code.

FY22 Revenue Projections

Filing Period	FY22 Revenues	
July '21	\$1,149,036	<i>actual</i>
August '21	\$1,155,184	<i>actual</i>
Sept '21	\$1,228,227	<i>actual</i>
Oct '21	\$1,286,607	<i>actual</i>
Nov '21	\$1,593,194	<i>actual</i>
Dec '21	\$1,673,569	<i>actual</i>
Jan '22	\$1,318,150	<i>actual</i>
Feb '22	\$1,300,000	<i>estimated</i>
March '22	\$1,350,000	<i>estimated</i>
April '22	\$1,400,000	<i>estimated</i>
May '22	\$1,400,000	<i>estimated</i>
June '22	\$1,450,000	<i>estimated</i>
Est. FY22 Total	\$16,303,968	



Questions?

- Clinton Singletary, AMSTP Program Director
907-790-5307
clinton@akml.org
- Kara Johnson, AMSTP Program Administrator
907-790-5303
kara@akml.org